

Company brands

Don't underestimate what might be your most valuable asset

What's in a brand? At the very least, something of worth and, for some businesses, practically their entire value. A well-respected brand with a broad market presence and loyal customers may, in fact, be the most valuable asset you own. But whether or not it's a major profit driver, your brand is one of the intangible assets that must be valued when you sell your business.

More than a logo

Brand is a word often thrown around, but also often misunderstood. Many think of brand as the visual imagery — including the appearance of products and packaging, logos, stationery and forms, advertisements, employee uniforms, and company vehicles — and the associations they carry with the public.

Visuals are part of a brand, but professional valuers also consider customers' and other outsiders' perceptions of the company's products and services, of its employees, and of the business itself.

Sometimes companies confuse their brand with their corporate identity. The difference is simple: A company's brand is how it's perceived by customers and others outside the company. Its identity is how it regards itself. And it's always a mistake to assume the public perceives a company the way it regards itself.

Brand as a verb

Of course, a business's brand can be affected by factors that are out of the company's control, including changes in the economy or the business's industry or competition. Companies can, however, shape external and internal perceptions of their products or services, their employees, and the business itself. Taken together, these proactive steps are generally referred to as a brand strategy.

The branding process starts by understanding the attributes of your organization and its products and services in relation to others in its industry. These include relative quality and cost of goods or services, organizational focus on growth or current profitability, and values such as innovation, client service or integrity.

Once you define your cultural values and business strategy, you must communicate them clearly and continuously throughout your organization. Rewarding and recognizing performance that meets cultural and financial goals is a particularly effective way of reinforcing them among employees.

Eye on the outside

Your brand strategy must also address the many ways your business interacts with the outside world. Whether delivering products or services via sales, marketing, advertising, customer service or other functions, always try to differentiate your company from the competition.

And keep in mind that every contact you have with the public should strengthen your brand. This requires constant vigilance. If you don't work hard to control your reputation, others — competitors, disgruntled customers, the media and regulators — will.

Understanding and acting on how customers and others view your business is the final key to a successful brand strategy. Market and customer satisfaction research is critical if you are to know your important public constituencies and how they view your company. Knowing how you can best meet your customers' needs will improve customer loyalty, fuel growth and boost profitability during boom periods, and sustain you when the economy slows.

Intangible but valuable

Brands are most often categorized by valuation experts as goodwill. Although brands are intangible assets, valuers can attach an actual value to them using several methods. The most common is to measure discounted cash flow, or the present value of future cash flows.

An expert might also measure the replacement cost of the brand (or what it would take to rebuild it), or compare the relative value of the brand against those of competitors. Some valuation experts apply several approaches, combining financial-based methods with a subjective analysis of a company's brand strategy.

Attract the right attention

Whether your brand represents a significant chunk of your company's market value or only a small percentage, ensure you're doing everything you can to enhance it. When it comes time to sell, your brand may be the asset that first attracts — and maintains — a buyer's attention.

Sidebar: Is your customer list a hot property?

A strong brand isn't the only intangible asset buyers are looking for. Many want to acquire other companies to expand their customer bases. After all, access to new customers can instantly increase product demand. So these buyers are looking for strong customer lists, including:

- Low customer complaint and dissatisfaction rates,
- Longstanding sales relationships,

- Financially healthy customers,
- Balance sheet receivables that are collectible and not just “paper” assets, and
- A diversified customer base instead of a few large customers.

Anything you can do to enhance these factors and communicate the value of your customers can help boost your attractiveness as an acquisition target — and the price you ultimately receive from a sale.